

CITY COMMISSION MINUTES

January 26, 2009

12:00 p.m.

The special meeting of the Junction City City Commission was held on Monday, January 26, 2009 with Mayor Mick Wunder presiding.

The following members of the Commission were present: Terry Heldstab, Mike Rhodes, Ken Talley, Jack Taylor and Mick Wunder. Staff present was: City Manager, Rod Barnes, Assistant City Manager Mike Guinn, City Clerk Tricia Gowen, City Engineer Christina Cook, and City Attorney Catherine Logan via phone.

PLEDGE OF ALLEGIANCE

NEW BUSINESS

- a. The consideration and approval of **R-2541** consenting to the assignment and assumption of the February 10, 2005, Development Agreement between the City and GSC Enterprises, Inc., to Grocery Supply Acquisition Corp, a wholly owned subsidiary of Nash Finch Company, the amendment to the Development Agreement to reduce the employment schedule goals for the period 2009 through 2015; and the City's approval of an assignment and assumption of a 2006 Lease by GSC Enterprises, Inc. to Grocery Supply Acquisition Corp. relating to the City's 2006 Taxable Industrial Revenue Bonds (Grocery Supply Company Contract). City Manager, Rod Barnes, introduced the representatives from GSC Enterprises, Inc. (Michael Baine) and the Nash Finch Company (Alec Covington). Mr. Barnes explained that GSC Enterprises, Inc. entered into a development agreement with the City. Mr. Barnes outlined the provisions which included money received in grants and assistance, a five-year tax abatement, and Industrial Revenue Bonds. The employment numbers were not met in 2006, 2007 and 2008. The development agreement states that if the employment numbers are not met, the fee of \$193,750 is divided by the number of employees. In 2006, the development agreement stated there would be 56 full time employees; there were 43 actual employees. In 2007, the agreement called for 65 full time employees; there were 45 actual employees. In 2008, the agreement called for 77 full time employees; there were 38 actual employees. Due to not meeting the employment goal, GSC Enterprises, Inc. owes a penalty to the City in the amount of \$207,726.17. Mr. Baine stated that the rising cost of fuel and transportation and the Department of Transportation driver regulation changes has caused them to rethink their business plan and has caused them to make the decision to sell to Nash Finch. GSC is prepared to make good on their end of the development agreement. Mr. Covington stated that with their take over of the company, no one will lose their jobs; they plan to create positions. Junction City is the ideal location for the military distribution. Nash Finch intends to hire all of the current GSC employees and increase the number of positions. Mr. Covington stated that he did not believe Nash Finch could meet the current development agreement employment goal of 150 full time employees by the year 2015 due to the current economic conditions which could not be forecasted at the time of the development agreement. Mr. Covington does believe that they can increase the employment level and are proposing an employment goal of 71 full time employees by the year 2015. If Nash Finch is unable to reach this goal, they are prepared to be responsible as outlined in the development agreement.

Commissioner Talley asked about any future plans to add on to the current facility. Mr. Covington stated that any additions will be dependent on the growth of the business. The current facility is underutilized today. Nash Finch plans to review the building and determine where they can go with what is there before expanding. Mr. Covington believes it will grow; however, it will be dependent upon the economy. The Junction City facility will strictly be a commissary facility.

Commissioner Taylor asked how much of the original loan was used to refurbish the facility. Mr. Baine stated that all of the loan was utilized.

Commissioner Rhodes asked how comfortable Nash Finch was with the new employment goals. Mr. Covington stated that they have studied the situation and calculated the employment numbers and feels the goal can be accomplished.

Commissioner Taylor inquired about the penalty. The penalty is a proportionate share of the yearly amount. There is no obligation to the City on the bonds.

Mr. Barnes stated that they company is three years into the five year tax abatement.

Commissioner Talley inquired as to where the management staff of the company currently reside. Mr. Baine stated that of the four salaried positions, three reside in Geary County. The exact number of the other employees' residence is unknown; however, Mr. Baine stated that the majority of them reside in Geary County. The salary ranges from \$10 to \$13 per hour and include full benefits (health, dental, 401K, etc.) Mr. Covington stated that Nash Finch will continue the current salary and benefit levels. All current employees have been offered employment with Nash Finch. The transition to Nash Finch has already begun.

Commissioner Taylor requested that Nash Finch keep the Commission updated on their progress before any problems get out of hand. Mr. Covington stated that they will report to the Commission on an annual basis.

Economic Development Director, Jeffrey Black, informed the Commission that the EDC Board unanimously approved the new development agreement with Nash Finch with a vote of 9-0 with two board members absent. The EDC will utilize the audit review process for Nash Finch on an annual basis and the results will be supplied to the EDC Board and the City Commission.

Mr. Barnes stated that the City Attorney has reviewed all of the documents up to this point and has given her approval.

Commissioner Rhodes moved, seconded by Commissioner to approve **2541** consenting to the assignment and assumption of the February 10, 2005, Development Agreement between the City and GSC Enterprises, Inc., to Grocery Supply Acquisition Corp, a wholly owned subsidiary of Nash Finch Company, the amendment to the Development Agreement to reduce the employment schedule goals for the period 2009 through 2015; and the City's approval of an assignment and assumption of a 2006 Lease by GSC Enterprises, Inc. to Grocery Supply Acquisition Corp. relating to the City's 2006 Taxable Industrial Revenue Bonds (Grocery Supply Company Contract). Ayes: Rhodes, Talley, Taylor, Wunder. Nays: None. Motion carried.

Commissioner Rhodes moved, seconded by Commissioner Taylor to accept the default penalty payment by GSC, Enterprises in the amount of \$207,726.17.

ADJOURNMENT

Commissioner Talley moved, seconded by Commissioner Rhodes to adjourn at 12:39 p.m. Ayes: Heldstab, Rhodes, Talley, Taylor, Wunder. Nays: None. Motion Carried.

APPROVED AND ACCEPTED THIS 17th DAY OF FEBRUARY 2009 AS THE OFFICIAL COPY OF THE JUNCTION CITY CITY SPECIAL COMMISSION MINUTES FOR JANUARY 26, 2009.


Tricia Gowen, City Clerk


Mick Wunder, Mayor